

HOUSE BILL REPORT

HB 1043

As Passed House:
January 17, 2014

Title: An act relating to limiting differential tuition.

Brief Description: Limiting differential tuition.

Sponsors: Representatives Seaquist, Haler, Zeiger, Fagan, Fitzgibbon, Pedersen, Pollet, Magendanz and Stanford.

Brief History:

Committee Activity:

Higher Education: 1/29/13, 2/7/13 [DP];

Appropriations: 2/12/13, 2/13/13 [DP].

Floor Activity:

Passed House: 2/15/13, 95-1.

Floor Activity:

Passed House: 1/17/14, 90-2.

Brief Summary of Bill

- Removes the authority for public baccalaureate institutions to set differential tuition rates for resident, undergraduate programs.
- Removes the authority for the State Board for Community and Technical Colleges to pilot or institute differential tuition models for resident, undergraduate programs.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 16 members: Representatives Seaquist, Chair; Pollet, Vice Chair; Haler, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Fagan, Hansen, Hargrove, Magendanz, Pedersen, Reykdal, Riccelli, Scott, Sells, Smith, Tarleton and Wylie.

Staff: Madeleine Thompson (786-7304).

HOUSE COMMITTEE ON APPROPRIATIONS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass. Signed by 30 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, Hunt, Jinkins, Kagi, Morrell, Parker, Pedersen, Pike, Schmick, Seaquist, Springer, Sullivan, Taylor, Alexander and Maxwell.

Staff: Catrina Lucero (786-7192).

Background:

Tuition-Setting Authority.

The Higher Education Opportunity Act of 2011 granted the governing boards of public baccalaureate institutions the authority to set tuition rates for resident, undergraduate programs. Between 1999 and 2011, the Legislature placed upper limits on the tuition rates set by the governing boards of the the public baccalaureate institutions and the State Board for Community and Technical Colleges for resident, undergraduate programs.

In addition to granting tuition-setting authority, 2011 legislation permitted the governing boards of the public baccalaureate institutions to set differential tuition rates for resident, undergraduate programs, and the State Board for Community and Technical Colleges to pilot or institute differential tuition models for resident, undergraduate programs. The 2011-13 Biennial Budget suspended the authority to set differential tuition for resident, undergraduate programs for the 2011-2013 biennium for both the public baccalaureate institutions and the State Board for Community and Technical Colleges.

The Guaranteed Education Tuition Program.

Most states have a form of a "529 Plan" operated by a state or educational institution designed to help families set aside funds for future college costs. They are named after section 529 of the Internal Revenue Code, which created these types of savings plans in 1996. Legislation enacted in 1997 created the Advanced Tuition Payment Program, as Washington's prepaid college tuition program. The program is better known as the Guaranteed Education Tuition (GET) Program.

The value of a GET account is measured in "units," where 100 units represent the cost of one year of resident, undergraduate tuition and state-mandated fees at the highest priced public university in the state. The unit cost is based on the unit price in effect at the time of purchase. Units can be purchased in whole or partial amounts, from one to 500 units per student. Students can use the monetary value of their units to attend nearly any public or private university, community college, or vocational school in the country. The monetary value remains the same wherever GET is used. At schools where tuition is lower, students can also use units to pay for room and board, books, or other higher education costs.

The Washington Student Achievement Council administers the GET Program while the State Investment Board oversees its investments. A five-member committee (GET committee) establishes the policies of the program and sets the price of the GET unit. In 2012 the GET unit price was \$172, up from \$117 in 2010. Since the GET Program began in 1998, families have opened more than 146,000 accounts, and 29,000 students have used their GET accounts in all 50 states.

Legislation enacted in 2011 created the Legislative Advisory Committee to the GET Committee (advisory committee). The advisory committee provides advice to the GET committee and the State Actuary regarding the administration of the GET Program including, but not limited to, pricing guidelines, the tuition unit price, and the unit payout value.

Summary of Bill:

The authority for public baccalaureate institutions to set differential tuition rates for resident, undergraduate programs is removed.

The authority for the State Board for Community and Technical Colleges to pilot or institute differential tuition models for resident, undergraduate programs is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Higher Education):

(In support) Allowing institutions to impose differential tuition was a mistake that should be corrected. Charging higher tuition for certain programs such as Science, Technology, Engineering, and Math (STEM) where there are already thousands of jobs each year going unfilled is a disincentive for students. Students do not always know what major they want to pursue. Differential tuition would reduce students' likelihood of choosing high demand programs. Differential tuition is only discussed in terms of increasing tuition for certain programs and not decreasing tuition for other programs. Higher education degrees should be affordable and equitable for all. Students understand there is cross-subsidization of programs in higher education. Increasing the costs of certain degrees will only discourage students from taking those courses.

(Opposed) Differential tuition is one tool to fund high-cost, high-demand programs. There is pressure to expand high-cost, high-demand programs. Short of additional state investment, it is unclear how these programs can expand. Different institutions have different resources and there is a need to separate good tuition policy from GET. Permitting differential tuition but delinking it from the institutions that set the GET unit price is an option. Differential tuition could be examined to see how it could level the playing field at community and technical colleges. The proposal does not provide an alternative to the expansion of high demand programs. Differential tuition has been implemented for over a decade at the graduate level and at other universities across the nation.

Staff Summary of Public Testimony (Appropriations):

(In support) High demand degrees would cost more if differential tuition were to go into effect. This would increase costs for students and could limit student choice. Fiscal concerns

may drive students away from high demand fields. Differential tuition may also make tuition increases less predictable for students. Implementing differential tuition would not lower tuition rates for less expensive programs. Removing differential tuition setting authority has positive impacts for the GET program. Providing increase support for high demand degrees is important but differential tuition is not the solution.

(Opposed) Differential tuition is a tool for universities to fund high-cost and high-demand programs. There is a need to expand these programs. The bill eliminates differential tuition as a tool to increase access to these programs but does not provide an alternative. We recognize that differential tuition has implications for GET; however, it is not necessary to fully eliminate differential tuition from statute. A re-suspension would be preferable.

Persons Testifying (Higher Education): (In support) Angie Weiss, Evan Smith, Michael Kutz, Tristan Hanon, Daniel Nguyen, Tyler Adamson, and Jeff McNerney, Washington Student Association.

(Opposed) Chris Mulick, Washington State University; Sherry Burkey, Western Washington University; Steve DuPont, Central Washington University; Nick Lutes, State Board for Community and Technical Colleges; and Margaret Shepherd, University of Washington.

Persons Testifying (Appropriations): (In support) Representative Seaquist, prime sponsor; Representative Carlyle; E. B. Vodde, Associated Students of Eastern Washington University and Washington's Student Association; Angie Weiss, Associated Students of University of Washington; and Tristan Hanon, Associated Students of Washington State University.

(Opposed) Sherry Burkey, Western Washington University; Margaret Shepherd, University of Washington; and Chris Mulick, Washington State University.

Persons Signed In To Testify But Not Testifying (Higher Education): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.